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BITTER SMITH PROPOSED AMENDMENT NO. 2

ORIGINAL

TIME/DATE PREPARED: June 9, 2014 4:00pm

COMPANY: Chaparral City Water Company

AGENDA ITEM NO. 16

DOCKET NO. W-02113A-13-0118

OPEN MEETING DATE: June 10, 2014

2014 JUN -9 1P 4:51

DELETE Pg. 23, line 16 through pg. 25, line 19 and REPLACE WITH:

The Commission's rules do not mandate a specific depreciation methodology, but require that the cost of depreciable plant adjusted for net salvage be distributed in a rational and systematic manner over the estimated service life of the plant. Although we have previously adopted in Decision No. 74294 Staff's vintage year depreciation method, we have rejected this approach in other matters. The disputes raised by the parties to this case highlight the need to further examine this issue to avoid unintended consequences.

As Staff's witness testified, adjusting the depreciation rates in this case as proposed by CCWC will properly address depreciation expense in this case. We are also aware of Staff's claim that this adjustment will not address Staff's long-term concern that CCWC will continue to recover depreciation expense on assets that have been fully depreciated. Because there is no depreciation study in evidence in this case, we will require CCWC to submit a depreciation study to further support any depreciation rates that do not align with Staff's recommended rates in its next case (including the rates adjusted in this case), which we note must be filed by June 30, 2018.

CCWC's proposed adjustments to its depreciation rates in the Transportation Equipment and Pumping Equipment accounts are reasonable and will be adopted.

Pg. 60, lines 13 through 14, DELETE Finding of Fact 53 and REPLACE WITH:

53. CCWC should be required to continue using its existing depreciation rates, which are set forth in Hearing Exhibit S-6, Exhibit KS at Table A, except for the depreciation rates for the Transportation Equipment Account and the Pumping Equipment Account which shall be as proposed by CCWC.

Pg. 60, lines 15 through 17, DELETE Finding of Fact 54 and REPLACE WITH:

54. CCWC shall adjust its depreciation rates for the Transportation Equipment Account and the Pumping Equipment Account as proposed by CCWC. CCWC shall further file a depreciation study with its next rate case to support any depreciation rates that do not align with Staff's standard rates.

**** Make all conforming changes**

THIS AMENDMENT:			
<input type="checkbox"/> Passed	<input type="checkbox"/> Passed as amended by _____		
<input type="checkbox"/> Failed	<input type="checkbox"/> Not Offered	<input type="checkbox"/> Withdrawn	

Arizona Corporation Commission
DOCKETED
 JUN 09 2014
 DOCKETED BY

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Pg. 63, lines 14 through 15, DELETE Ordering Paragraph and REPLACE WITH:

IT IS FURTHER ORDERED that CCWC should be required to continue using its existing depreciation rates, which are set forth in Hearing Exhibit S-6, Exhibit KS at Table A, except for the depreciation rates for the Transportation Equipment Account and the Pumping Account which shall be as proposed by CCWC.

Pg. 64, lines 1 through 3, DELETE Ordering Paragraph and REPLACE WITH:

IT IS FURTHER ORDERED that Chaparral City Water Company shall file a depreciation study in its next rate case to support any depreciation rates that do not align with Staff's standard rates.

**** Make all conforming changes**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____